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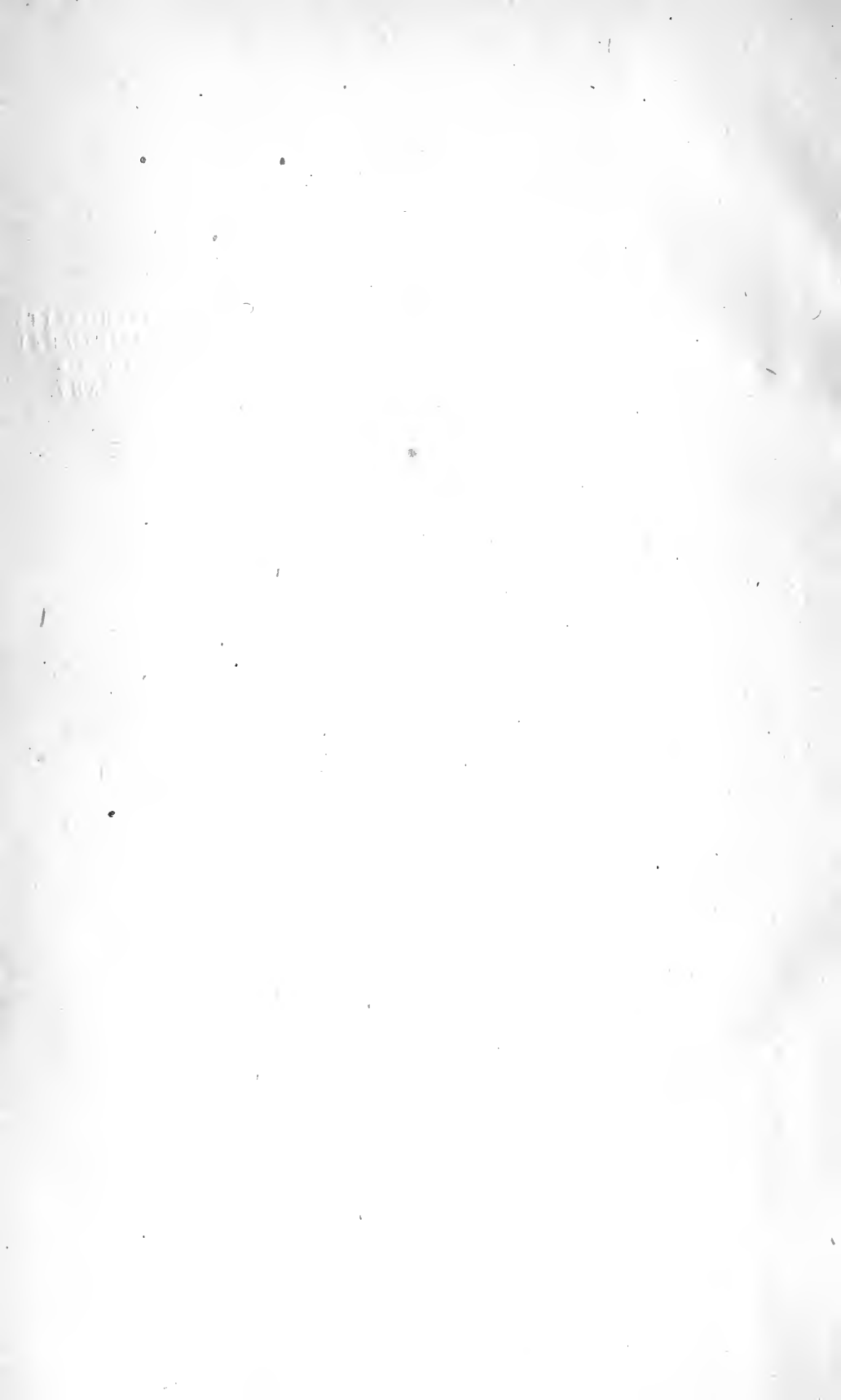
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THE INTERNATIONAL INSTITUTE OF AGRICULTURE AND ITS INFLUENCE ON ECONOMIC WELFARE

**Reply to some comments
made by the Minister of Agriculture of France**

INTERNATIONAL INSTITUTE OF AGRICULTURE.

Rome, March 2nd, 1911.

*To H. E. the Minister of Agriculture,
Paris, France.*

Excellency:

I beg to acknowledge receipt of your valued letter of January 31st, on my reply to certain criticisms on the Institute by H. E. the Minister of Agriculture of Mexico, of which you say:

“I have read with keen interest your document on the work of the International Institute of Agriculture and its influence on fluctuations in the price of the staples. It is undoubtedly of interest that an authoritative voice replace the several private reports on crop-conditions, which reports may modify and falsify prices.”

There are other statements in your communication on which I will take the liberty to offer some comments later on. At this time I am prompted to present certain phases of the question which I do not believe were brought out in the former document.

In the first place it is gratifying to note that among the more active workers in the upbuilding of the International Institute of Agriculture France is seen to be well to the fore. And well she may be, for the question before us is of more than passing interest to the Statesman.

Please observe: the price of the staples of agriculture concerns not only the capital and labor of the land, but also the capital and labor of the factory, for they are so largely the raw material of manufactures. It is, therefore, obvious that this question not alone concerns the welfare of the agricultural industry, but that it also concerns the welfare of the manufacturing industry.

More than that: in the consideration of this question it will be seen that it is not merely the agricultural welfare of his own country which should be of concern to the Statesman, but also the agricultural welfare of those other countries with which his nation has trade relations.

Let us take it in the case of France: any violent economic disturbances in such countries as the United States, Russia, or Great Britain must necessarily disturb the volume and value of French foreign trade. Such disturbances must surely affect the value of her millions of money in foreign securities; they must surely diminish the output of her costly wines, her elaborately wrought fashion attire, and her ornate textiles; and thus her commerce is made to tremble on the sensitive scale of adjusted values, impelled along the line of decline, which, if not arrested, must end in the vortex of general failure.

Nor is this all; a country is not merely affected by the adverse conditions in those countries with which it has foreign trade relations, but also suffers, (though indirectly), through economic disturbances which may occur in any other part of the world. Thus we see that agriculture is, indeed, the foundation industry.

And right here it may not be out of place to enquire, what are the factors which cause economic disturbances?

These factors are commonly given as under-production, over-production, foreign competition, the agitation of organised labor, high prices and low prices, protective and other legislative enactments. The fact remains, however, that the main cause of economic disturbances is centred in unnecessary and violent price fluctuations of a character which unsettle the relation of values.

In the study of this phase of the question we are confronted by a remarkable division line affecting the relation of price-values. On the one hand we have values which are rendered more or less stable as the result of convention and contract; and, on the other hand, values which

are caused to fluctuate from day to day and from hour to hour. The first of these comprise rent, interest, salaries, wages, as steadied by the action of trade-unions, manufactured goods, the price of which is largely established by advance orders, and even the stock of the retail merchant, by discrimination in the placing of re-orders, and the readjustment of sale prices, may have its value conserved. The second comprise the ever-changing values of the staples of agriculture, the prices of which are subject to unnecessary fluctuations, fluctuations which occur from day to day and from hour to hour.

If both classes of values just designated could be made to advance or decline simultaneously, no economic disturbance would result, for then the relations between their exchange values would remain normal. It is the marked difference in the altered relation of exchange between the more stable values regulated by convention and contract on the one hand, and the ever-shifting values of the staples of agriculture on the other, which is mainly responsible for economic disturbances.

It thus follows that in the matter of the economic welfare of his country it is of primary importance for the Statesman to have a thorough knowledge of the factors which cause these one-sided changes, these frequent and violent fluctuations in the value of the staples of agriculture. What, then, are these factors?

They seem, at first sight, to be many; among them are commonly given weather conditions, variations in the demand, the cost of carriage, the state of the money market, protective duties.

In reality, closer examination shows that the above are but phases of one factor, one cause; viz, the constantly shifting opinion as to the world's supply. It is the prevailing opinion as to the quantity of the world's supply of a given staple which determines the world's price of that staple. And the world's price, be it understood, determines the home price, for, on final analysis, it will be found that, however differentiated, the home price is but the echo of the world's price.

If the above be correct, it follows that it is imperatively essential for the welfare, not merely of the agricultural industry but for the economic prosperity of all the people, that the information of the world's supply of the staples of agriculture be given out officially and authoritatively, at stated times, and in such a form as to be generally understood. And

it was the recognition of this need which caused the nations to establish the International Institute of Agriculture, and through its labors to control and ultimately supercede the many divergent and biassed summaries heretofore given out by private interests.

Although it was only in July last that the Institute published its first world crop-report in the form of the "Single Numerical Statement" it has already had a decided effect in steadying the market prices. The marked difference between the wheat production of 1909 and 1910 in some countries was calculated to unsettle, not only the market prices in those countries, but to exert likewise a disturbing influence on the world's price. The following examples, showing marked deficits and surpluses in production, illustrate this fact. On the one hand we have the deficits:

	Production in 1909 Quintals	Production in 1910 Quintals	1910 compared to 1909 Per cent
France . . .	97,752,200	71,827,800	73.5
Italy . . .	51,699,000	41,732,000	80.7
Canada . . .	45,380,300	33,416,600	73.6

That is to say, the wheat production of France in 1910 fell to 73.5%, that of Italy to 80.7%, and that of Canada to 73.6% of what it was in 1909.

On the other hand we have the surpluses:

	Production in 1909 Quintals	Production in 1910 Quintals	1910 compared to 1909 Per cent
Hungary . . .	34,266,393	54,018,000	157.6
Rumania . . .	16,022,536	30,162,399	188.2
British India . .	77,154,621	97,189,055	126.0

That is to say, the wheat production of Hungary in 1910 rose to 157.6%, that of Rumania to 188.2%, and that of British India to 126.0%; as will be seen, a very considerable increase over what it was in 1909.

These marked depreciations in production on the one hand, and the unusual surpluses on the other, were such as to lend themselves admirably as material for the purposes of price manipulation; material to be foot-balled hither and thither as the interests of private parties would prompt. Then came the world's summary by the International Institute of Agriculture in the form of the "Single Numerical Statement," which showed that the total of the 1910 harvest was equal to 99.97% of the

harvest of 1909; substantially, that there was neither a decline nor an advance from the world's production of 1909. Thus the "Single Numerical Statement" of the Institute exerted a steadying effect upon the world's price of wheat. And what is here said of wheat is equally applicable to the other staples of agriculture.

The Single Numerical Statement of the Institute shows that however much the production of one or of several countries may vary from year to year, the production of the world as a whole remains fairly constant. And thus as the Single Numerical Statement of the Institute appears from month to month it acts as an antidote to manipulation and its steadying effect on the markets of the world makes itself felt, and among the first of the adhering nations to recognize the importance of this has been France. This was evidenced by the action of her able representative in the Institute (Mr. Louis Dop), who proposed that the weekly price-bulletins the Institute is shortly to publish, give the Single Numerical Statement of the world's supply alongside the prices quoted for each staple on the world's market centres. When these shall have appeared in columns for a series of years it will afford a bird's eye view of the relation between supply and price in a form so clear and simple as to be readily understood by all concerned.

And now it appears to me opportune to review your valued comments on the need for "accuracy," in the information given out by the Institute. You say:

"Such information will only be of real value if the agricultural world is convinced of its accuracy... It belongs to the Institute to supply the agricultural world with accurate, official information."

Your contention seems reasonable, and it is sustained by many. Nevertheless, some reflection on the details of the means employed towards the end in view will show that the matter cannot be disposed of by a mere admonition to the Institute to be "accurate."

In the matter of accuracy we must consider three factors:

- a) the governments, which furnish the original crop-reporting data for the use of the Institute;
- b) the delegates, who devise the mode of procedure in its use;
- c) the staff which compiles it under the instructions of the delegates.

It is evident that the value of the Institute's final reports depends on the accuracy of the original data furnished by the Governments.

The duties of the staff may be compared to those of Bank Clearing-House clerks; their work is confined to the elaboration of the data they receive direct from the governments. Inaccuracy on their part, therefore, can only occur through any blunders they may make, and these would be easily perceived and preventable. Neither are the delegates parties to the gathering of the crop-reporting data. It would thus seem that, in reality, the responsibility for accuracy lies with the governments.

The gravity of this responsibility is apparent, if what has been set forth in this presentation be assented to. If it can be proven that this presentation has no basis in fact, it ends the whole matter; accuracy or inaccuracy is then no longer in question, for the Institute would not be wanted, nor would crop-reporting work by governments be wanted. And if there be no need for government crop-reports, then what need would there be for crop-reports by private interests? The question then is: can buying and selling of the staples of agriculture be carried on without such information? If it can, it would end the whole matter of crop-reporting. However, it is self-evident that it cannot.

Since, then, we must have crop-reports, and since it endangers the economic welfare of the people for these reports to be a monopoly in the hands of private interests, it necessarily follows that it is essential for this work to be done by Governments, and done accurately. And if there is to be an official and an authoritative world's summary it is equally necessary to have this brought out under the auspices of the nations by an institution such as the International Institute of Agriculture.

There is no gainsaying the fact that at present the accuracy of government crop-reports is open to grave criticism. Even in the case of the United States, which is preeminent in its experience and achievement in this field, there is much to be desired when details and results are lined up by the term "accuracy." And what then must be said of the crop-reports of other and less perfected government systems? When we consider, however, that the demand for this work is the result of imperative needs which have grown up in modern times, and when we consider further that accuracy is the product of development, it becomes

clear that progress in this direction will be attained when the proper means will be employed towards the desired end.

There was a period when there were no clocks or watches; when time was measured by such rough devices as the hour-glass, the bucket filled with water with a hole in the bottom, candles with rings painted round them; yet now watches may be had and the time told by anyone. When once a need has been clearly recognized, and public attention vividly called to it, the perfecting of the means to bring about the end is sure to follow.

The conclusion is clear: there is but one thing to be done; the Governments should perfect their crop-reporting systems, and toward this end it becomes their duty to employ all the means at their command. It becomes the duty of the Governments to encourage research along this line within their own countries by their Chambers of Commerce, their agricultural associations, their Boards of Trade, their universities, their statesmen, their economists, their government departments; and they should exercise their diplomatic influence towards this end with foreign countries. Nor should it be forgotten that the Institute itself can be no stronger than its component parts, the delegates who represent the adhering nations on the Permanent Committee and on the General Assembly.

With the assurance of my high esteem, I have the honor to remain,

Yours very truly,

DAVID LUBIN,

Delegate of the United States

International Institute of Agriculture, Rome, Italy.

INTERNATIONAL INSTITUTE OF AGRICULTURE

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20	Tunis	V	LOUIS DOP.
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22	Australia	IV	P. C. WYNDHAM.
23	Canada	II	P. C. WYNDHAM.
24	British India	II	P. C. WYNDHAM.
25	New Zealand	IV	P. C. WYNDHAM.
26	Mauritius	V	P. C. WYNDHAM.
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48	Paraguay		

PUBLICATIONS BY THE INSTITUTE.

1. BULLETIN OF AGRICULTURAL STATISTICS (Crop-Reporter). Monthly.
2. BULLETIN OF ECONOMIC AND SOCIAL INTELLIGENCE (Agricultural co-operation and credit). Monthly, about 250 pg.
3. BULLETIN OF AGRICULTURAL INTELLIGENCE AND DISEASES OF PLANTS. Monthly.
4. BIBLIOGRAPHICAL BULLETIN OF THE INSTITUTE.

For any of these publications please address the *Secretary General, International Institute of Agriculture, Rome, Italy.*

